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GHI MORTGAGE INVESTORS
ANNUAL REPORT 1980

Trustees

T.A. Crosier	Partner, Crosier, Kilgour & Partners Ltd., Consulting Engineers
R.C. Deegan	Controller of the Adviser & Trust
W.C. Irish	Partner, Inkster, Walker, Westbury, Irish, Rusen & Hughes, Barristers
F.J. Keks	President, Exmouth Corporation Ltd., Financial Consultants and Investments
J.T. McJannet	Partner, Schwartz, McJannet, Weinberg, Riley, Barristers
A.A. Portigal	Chairman & Chief Operating Officer of the Adviser and Vice-President of Genevieve Holdings Ltd.
N. Starr	President, Acklands Limited

Officers

A.A. Portigal	President and Chairman of the Board
B.D. King	Vice-President
I. Dorfman	Secretary
R.C. Deegan	Controller

Investment Committee

T.A. Crosier
W.C. Irish
F.J. Keks
J.T. McJannet

Adviser

GHI Adviser Ltd.
1210 One Lombard Place
Winnipeg, Manitoba
R3B 0X3

Auditors

Thorne Riddell

Bankers

National Bank of Canada
Royal Bank of Canada
Toronto Dominion Bank

Transfer Agent, Registrar and Custodian

Canada Permanent Trust Company
Winnipeg, Calgary, Vancouver

Listing

Winnipeg Stock Exchange
Alberta Stock Exchange
Vancouver Stock Exchange

Financial Highlights

For the years ended December 31

	1980	1979	1978	1977	1976
Gross Income	\$ 2,932,153	\$ 2,306,305	\$ 1,247,993	\$ 927,262	\$ 707,452
Net Income	\$ 1,333,505	\$ 1,079,049	\$ 730,257	\$ 633,190	\$ 507,459
Income Distributed					
— Total	\$ 1,177,397	\$ 1,005,853	\$ 634,202	\$ 600,601	\$ 507,459
— Per Unit	\$ 2.01	\$ 1.72	\$ 1.40	\$ 1.39	\$ 1.34
Unit Holders' Equity	\$ 7,480,961	\$ 5,925,991	\$ 5,852,795	\$4,366,275	\$3,777,773
Total Assets	\$16,291,551	\$14,639,148	\$10,588,902	\$6,532,611	\$4,933,782

Report to Unitholders

The economic and political conditions that existed during 1980 created a major challenge with respect to generating growth while improving profitability.

Net income of \$1,333,505.00, allowed an annual income distribution of \$2.01 per trust unit compared with net income of \$1,079,049.00 and a distribution of \$1.72 in the previous year. We have increased our provision for losses from \$143,967.00 in 1979 to \$222,107.00 in 1980, and have also written off \$73,259.00 much of which we are hopeful of recovering in the 1981 year.

The volatile situation as a result of both the energy and constitutional crises has created conditions for Canadian business that is unprecedented, and created many adverse effects on projects of all sizes in Western Canada.

Early in the year your Trustees and the Adviser decided that a close scrutiny had to be maintained on all of the Trust's loans which involved physical inspections and in some instances, numerous visits to projects, with sometimes day to day dialogue with the developers to ensure that funds were available to complete the project where necessary, and that the developer was able to maintain his position. Where co-operation was received the Trust made every effort to facilitate the needs of the borrower, where co-operation was not

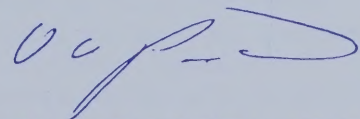
forthcoming, immediate steps were taken to preserve and protect our security. We are pleased to report that our position at year end remains strong.

During the course of the year the Trust acquired three properties because of the inability of the borrower to carry on under the financial pressures caused by high interest rates. At this date, two of the three properties have been disposed of for cash, and each have shown a profit to us above principal, interest and costs.

The trustees, again recognizing the need to increase the capital base of the Trust, presented a Rights Offering to Unitholders during October and November in which 73.8% of the Rights were exercised. This offering added 144,081 new trust units or \$1,476,830.00 to the Trust's equity.

It is with regret that we advise that Mr. T.A. Crosier, a Trustee since the inception of the Trust, as well as a member of the Investment Committee, was forced to resign his position due to his move to Vancouver, where the engineering firm he is a partner in, opened new offices.

In conclusion, I wish to thank the Trustees and Officers for their advice and attention to the constantly changing economic climate. Their knowledge, along with their decision-making abilities are responsible for our continued success.



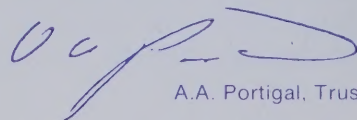
A.A. PORTIGAL PRESIDENT AND CHAIRMAN

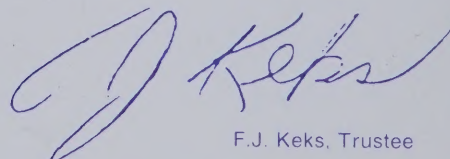
GHI Mortgage Investors
(A trust created under the laws of Manitoba)

Balance Sheet as at December 31, 1980

	Assets	1980	1979
Cash		\$ 19,291	
Accrued interest receivable (note 2)		1,335,717	\$ 328,331
Mortgage loans, at cost (note 3)		14,292,304	14,310,817
Properties held for resale (note 4)		644,239	
		<u>\$ 16,291,551</u>	<u>\$ 14,639,148</u>
	Liabilities		
Bank advances (note 5)		\$ 8,186,000	\$ 8,234,392
Income distribution payable		468,634	332,191
Accounts payable and accrued liabilities		144,915	94,269
Unearned interest		11,041	52,305
		<u>8,810,590</u>	<u>8,713,157</u>
	Unitholders' Equity		
Trust units			
Unlimited authorization of units, face value of \$10 each			
Issued			
585,793 Units		5,782,024	5,782,024
144,081 Unit Subscriptions (note 6)		1,476,830	
		<u>7,258,854</u>	<u>5,782,024</u>
Reserve for losses		222,107	143,967
		<u>7,480,961</u>	<u>5,925,991</u>
		<u>\$ 16,291,551</u>	<u>\$ 14,639,148</u>

Approved by the Trustees


A.A. Portigal, Trustee


F.J. Keks, Trustee

Statement of Income

Year ended December 31, 1980

	1980	1979
Revenue		
Interest on mortgage loans	\$ 2,932,153	\$ 2,294,305
Other income		12,000
	<u>2,932,153</u>	<u>2,306,305</u>
Expenses		
Interest expense	1,276,702	990,318
Advisory fee	207,708	198,437
Bad debts	73,259	
Trustee fees	14,900	14,900
Other expenses	26,079	23,601
	<u>1,598,648</u>	<u>1,227,256</u>
Net income	<u>1,333,505</u>	<u>1,079,049</u>
Appropriation to reserve for losses	78,140	73,196
Rights Issue expense (note 6)	77,968	
	<u>156,108</u>	<u>73,196</u>
Earnings Available For Distribution	<u>\$ 1,177,397</u>	<u>\$ 1,005,853</u>
Distribution Declared	<u>\$ 1,177,397</u>	<u>\$ 1,005,853</u>
Per Trust Unit		
Net income	\$ 2.27	\$ 1.84
Appropriation to reserve for losses	.13	.12
Rights Issue expense	<u>.13</u>	<u>Nil</u>
Net income after appropriation and Rights Issue expense	<u>\$ 2.01</u>	<u>\$ 1.72</u>

Auditors' Report

To the Unitholders of GHI Mortgage Investors

We have examined the balance sheet of GHI Mortgage Investors as at December 31, 1980 and the statements of income, unitholders' equity and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Trust as at December 31, 1980 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Winnipeg, Canada
March 9, 1981


Chartered Accountants

Statement of Unitholders' Equity

Year ended December 31, 1980

	1980	1979
Trust Units		
585,793 Units issued and outstanding	\$ 5,782,024	\$ 5,782,024
144,081 Unit subscription (note 6)	<u>1,476,830</u>	<u></u>
Balance at end of year	<u>7,258,854</u>	<u>5,782,024</u>
Reserve For Losses		
Balance at beginning of year	143,967	70,771
Appropriation from earnings available for distribution	<u>78,140</u>	<u>73,196</u>
Balance at end of year	<u>222,107</u>	<u>143,967</u>
Unitholders' Equity	<u>\$ 7,480,961</u>	<u>\$ 5,925,991</u>

Statement of Changes in Financial Position

Year ended December 31, 1980

	1980	1979
Funds Derived From		
Net income	\$ 1,446,258	\$ 1,079,049
Proceeds from sale of unit subscriptions	1,476,830	
Bank advances		3,728,392
Mortgage loan principal repayments	5,619,036	8,323,614
Net change in other assets and liabilities	<u></u>	<u>96,616</u>
	<u>8,542,124</u>	<u>13,227,671</u>
Funds Applied To		
Mortgage loan principal disbursements	6,354,918	12,259,058
Distributions declared to unitholders	1,177,397	1,005,853
Reduction in bank advances	48,392	
Net change in other assets and liabilities	<u>942,126</u>	<u></u>
	<u>8,522,833</u>	<u>13,264,911</u>
Increase (Decrease) in Cash	19,291	(37,240)
Cash on Hand at Beginning of Year	<u>Nil</u>	<u>37,240</u>
Cash on Hand at End of Year	<u>\$ 19,291</u>	<u>\$ Nil</u>

Notes to Financial Statements

Year ended December 31, 1980

1. Accounting Policies

(a) The Trust

The Trust was created under the laws of Manitoba pursuant to a Declaration of Trust dated March 7, 1974. The Trust conducts its affairs in a manner whereby it qualifies as a "unit trust" under the Income Tax Act of Canada.

(b) Reserve for losses

The Trust provides a reserve for future losses on its investments by appropriations from income available for distribution.

(c) Income per trust unit

Income per trust unit is based on the weighted average number of units outstanding during the year.

2. Accrued Interest Receivable

Past due interest of \$1,048,527 is included in the accrued interest receivable of \$1,335,717. Subsequent to the year end \$517,702 of the amount past due has been received. The Trustees are of the opinion that the balance of past due interest will be received in the normal course of business.

3. Mortgage Loans

The final maturity dates of the mortgages are as follows

	1980	1979
1980		\$13,660,935
1981	<u>\$14,292,304</u>	<u>649,882</u>
	<u>\$14,292,304</u>	<u>\$14,310,817</u>

4. Properties Held For Sale

During the year, the Trust acquired three properties through foreclosure proceedings on mortgage loans under default. These properties are recorded at their estimated net realizable value. Subsequent to the year end, two properties were sold for gross proceeds totalling \$602,000.

5. Bank Advances

The Trust has assigned the mortgage loans to the banks to support its lines of credit.

6. Rights Offering

The Trust presented a Rights offering to Unitholders of record as at October 15, 1980 on the basis of one new unit for every three units held at a subscription price of \$10.25 per unit. As a result, 144,081 units were subscribed for as at December 31, 1980. These units were issued on January 1, 1981.

The Federal Budget of November 16, 1978 permitted Unit Trusts to deduct for income tax purposes all expenses incurred after that date relating to the issuing of units. Rights Issue expenses and Unit Issue expenses incurred in 1978 before November 16, 1978 and in prior years have been charged directly to Unitholders' Equity.

7. Related Party Transactions

GHI Adviser Ltd. provides investment opportunities, serves as financial consultant and administers the day-to-day affairs of the Trust. For these services the Trust pays a fee which is based on the asset investment and income level of the Trust. The fee, which is paid monthly, amounted to \$207,708 (1979; \$198,437).

GHI Adviser Ltd. owns 100,000 trust units which comprise 17% of total units issued and outstanding. Total income distributed on these trust units amounted to \$201,052 (1979; \$171,708). GHI Adviser Ltd. has also acquired rights to subscribe for an additional 33,333 trust units.

In addition, pursuant to the Advisory Agreement, GHI Adviser Ltd. or its parent company Genevieve Holdings Ltd. perform, at their cost, certain ancillary services for the Trust. For the provisions of such services, borrowers pay to these corporations, through the Trust, origination and placement fees and compensation and commissions on amendment or extension of mortgage loans.

Five Year Financial Review

	1980	1979	1978	1977	1976
Assets					
Cash	\$ 19,291	\$ —	\$ 37,240	\$ 14,731	\$ 17,795
Accrued Interest Receivable	1,335,717	328,331	176,289	82,430	36,437
Mortgage Loans at Cost	14,292,304	14,310,817	10,375,373	6,435,450	4,879,550
Properties Held For Resale	644,239	—	—	—	—
	<u>\$ 16,291,551</u>	<u>\$ 14,639,148</u>	<u>\$ 10,588,902</u>	<u>\$ 6,532,611</u>	<u>\$ 4,933,782</u>
Liabilities					
Bank Advances	\$ 8,186,000	\$ 8,234,392	\$ 4,506,000	\$ 1,985,000	\$ 984,000
Income Distribution Payable	468,634	332,191	171,621	170,053	136,016
Accounts Payable and Accrued Liabilities	144,915	94,269	58,486	11,283	35,993
Unearned Interest	11,041	52,305	—	—	—
	<u>\$ 8,810,590</u>	<u>\$ 8,713,157</u>	<u>\$ 4,736,107</u>	<u>\$ 2,166,336</u>	<u>\$ 1,156,009</u>
Unitholders' Equity					
Trust Units					
Unlimited authorization of Units					
Face Value of \$10 each					
Units Issued	729,874 ⁽¹⁾	585,793	585,793	440,553	383,635
Issued	\$ 7,258,854	\$ 5,782,024	\$ 5,782,024	\$ 4,333,686	\$ 3,777,773
Reserve for Losses	222,107	143,967	70,771	32,589	—
	<u>\$ 7,480,961</u>	<u>\$ 5,925,991</u>	<u>\$ 5,852,795</u>	<u>\$ 4,366,275</u>	<u>\$ 3,777,773</u>
	<u>\$ 16,291,551</u>	<u>\$ 14,639,148</u>	<u>\$ 10,588,902</u>	<u>\$ 6,532,611</u>	<u>\$ 4,933,782</u>

(1) includes 144,081 units to be issued January 1, 1980 @ \$10.25

	1980	1979	1978	1977	1976
Revenue					
Interest on mortgage loans	\$ 2,932,153	\$ 2,294,305	\$ 1,232,063	\$ 875,030	\$ 707,452
Other Income	<u>—</u>	<u>12,000</u>	<u>15,930</u>	<u>52,232</u>	<u>—</u>
	<u>\$ 2,932,153</u>	<u>\$ 2,306,305</u>	<u>\$ 1,247,993</u>	<u>\$ 927,262</u>	<u>\$ 707,452</u>
Expenses					
Interest expense	\$ 1,276,702	\$ 990,318	\$ 365,678	\$ 161,313	\$ 100,810
Advisory fee	207,708	198,437	122,191	91,938	70,468
Bad debts	73,259	—	—	—	—
Trustee fees	14,900	14,900	12,500	12,500	11,875
Other expenses	<u>26,079</u>	<u>23,601</u>	<u>17,367</u>	<u>28,321</u>	<u>16,840</u>
	<u>\$ 1,598,648</u>	<u>\$ 1,227,256</u>	<u>\$ 517,736</u>	<u>\$ 294,072</u>	<u>\$ 199,993</u>
Net Income	<u>\$ 1,333,505</u>	<u>\$ 1,079,049</u>	<u>\$ 730,257</u>	<u>\$ 633,190</u>	<u>\$ 507,459</u>
Appropriation to reserve for losses	78,140	73,196	38,182	32,589	—
Rights Issue expense	<u>77,968</u>	<u>—</u>	<u>57,873</u>	<u>—</u>	<u>—</u>
	<u>156,108</u>	<u>73,196</u>	<u>96,055</u>	<u>32,589</u>	<u>—</u>
Earnings Available for Distribution	<u>\$ 1,177,397</u>	<u>\$ 1,005,853</u>	<u>\$ 634,202</u>	<u>\$ 600,601</u>	<u>\$ 507,459</u>
Distribution Declared	<u>\$ 1,177,397</u>	<u>\$ 1,005,853</u>	<u>\$ 634,202</u>	<u>\$ 600,601</u>	<u>\$ 507,459</u>
Per Trust Unit					
Net income	\$ 2.27	\$ 1.84	\$ 1.61	\$ 1.46	\$ 1.34
Appropriation to reserve for losses	0.13	0.12	0.08	0.07	—
Rights Issue expense	<u>0.13</u>	<u>—</u>	<u>0.13</u>	<u>—</u>	<u>—</u>
Net income after appropriation and Rights Issue expense	<u>\$ 2.01</u>	<u>\$ 1.72</u>	<u>\$ 1.40</u>	<u>\$ 1.39</u>	<u>\$ 1.34</u>

Analysis of Loan Commitments

at December 31, 1980

Geographic Distribution

Province	Amount		Percentage	
	1980	1979	1980	1979
Alberta	\$ 11,362,490	\$ 11,434,940	79.5	79.9
British Columbia	1,615,000	1,405,468	11.3	9.8
Manitoba	1,154,814	1,470,409	8.1	10.3
Saskatchewan	160,000	—	1.1	—
Total	<u>\$ 14,292,304</u>	<u>\$ 14,310,817</u>	<u>100.0</u>	<u>100.0</u>

Type of Loan	Amount		Estimated Average Annual Yield %		Percentage of Portfolio	
	1980	1979	1980	1979	1980	1979
First Mortgage Loans						
Commercials	\$ 2,160,587	\$ 3,395,125				
Construction	4,106,954	2,528,061				
Development	3,883,899	3,720,766				
Residential	189,275	189,275				
Wrap Around	502,259	501,682				
	<u>\$ 10,842,974</u>	<u>\$ 10,334,909</u>	23.8	20.6	75.9	72.2
Second Mortgage Loans						
Commercial	\$ 3,150,000	\$ 2,060,283				
Construction	299,330	500,000				
Development	—	1,415,625				
	<u>\$ 3,449,330</u>	<u>\$ 3,975,908</u>	23.7	20.9	24.1	27.8
Total	<u>\$ 14,292,304</u>	<u>\$ 14,310,817</u>	23.8	20.7	100.0	100.0

An Overview of the Trust

GHI Mortgage Investors is a wholly Canadian owned and operated Mortgage Trust, created under the laws of the Province of Manitoba, and which commenced operations in April, 1974. The Trust derives its income exclusively from interest earned on real property loans and is a short-to-medium term lender.

Objective

The basic objective of the Trust is to build through creative investing a balanced and diversified portfolio of mortgage investments designed to provide unitholders with an above average return on high security investment. In order to accomplish this objective, the Trust actively seeks investment opportunities across Canada in commercial and industrial properties such as office buildings, nursing homes, shopping centres, warehouses, hotels, manufacturing facilities — as well as a wide range of residential properties and developments.

Role of the Adviser

GHI Mortgage Investors invests all of its money in loans arranged for it by its adviser, GHI Adviser Ltd. The Adviser was the sponsor and is the contractual adviser of the Trust and provides professional expertise required by the Trust to meet its objectives. The Adviser also reviews investment opportunities, presents qualified applications to the Board of Trustees, provides the Trust with financial advice, controls liability and asset management, administers loans, maintains the books and records and administers and conducts the business operations of the Trust. Its fees are regulated by governmental agencies.

Trustees

The Trust is directed by a Board of Trustees noted for their expertise in the areas of real estate and finance. The Trustees form the decision-making body of the Trust and contract for the services of the Adviser to transact day-to-day operations

Income Distribution Policy and Ownership

Beneficial ownership of the Trust is expressed in issued and outstanding "Units", transferable in the hands of unitholders and which are listed for trading on the Winnipeg, Alberta and Vancouver Stock Exchanges.

Under Canadian tax laws, the Trust qualifies as a conduit which effectively allows investors to partici-

pate in a constantly changing portfolio of investments, receiving untaxed income distributions from a professionally managed portfolio of mortgages.

The Trust has no tax liability on distributed income which flows through to the unitholder without being taxed and is then taxable as income in the hands of the unitholder at his or her personal tax rate. Unitholders may use distributed income from GHI as all or part of the \$1,000 annual income that each individual is allowed free of taxes. Alternatively, unitholders may place units in self administered Registered Retirement Savings Plans.

Operation

Since its establishment in 1974, the Trust has been successful in supplying its unitholders with above average returns and has now established major relationships with three Canadian banks, insuring a continuing flow of investments funds, which should result in continued high returns to unitholders.

Four factors play a significant role in the Trust results.

- a) The Trust's policy of maintaining a loan interest rate that floats above the chartered banks' prime rate.
- b) Continual close supervision of every loan comprising the Trust's portfolio, which coupled with flexible and innovative management policies have enabled the Trust to move quickly to take advantage of changing investment opportunities.
- c) Self designed constraints, specifically to provide rapid portfolio turnover.
- d) A support network of architects and engineers and lawyers, aware of the Trust's requirements who act on behalf of the trust in the areas where they are located.

The Trust concentrates its activities primarily in the areas of first and second mortgage loans and construction loans. Its loan portfolio is well diversified to minimize risk and most monies advanced are less than 80% of independently appraised values related to the project.

It is anticipated that the Trust's performance will continue to be satisfactory in the coming year. We are hopeful that the factors that have been so instrumental in the growth of the Trust since 1974, will continue to allow for increased growth and expansion of activities in the coming years.

The Role of the Short Term Lender

The Role of the Short Term Lender

As a short to medium term lender in the Canadian real property development market, GHI provides an important service to owners and developers seeking the specialized financial assistance available from the Trust. By close supervision, GHI assists the borrowers in bringing an individual project to fruition. The Trust also enables the borrower to control his own long term financial destiny to a much greater extent than would be possible under other circumstances. In the eyes of the borrower the advantages far outway the short term cost of various financial packages offered by GHI.

The Regional Shopping Centre

A developer had purchased a site on which to construct a medium size shopping centre with the intention of locating his offices in a portion of the upper floor, while leasing the lower level for commercial development. He had obtained two local leases from small but reliable business operators and was negotiating for a long term mortgage loan on completion of the project. Through its investigations, GHI determined a real need in the area for the type of commercial development planning to lease the centre. Under close supervision, funds were advanced to allow the construction of the project which is now completed and GHI is in the process of being repaid.

Conversions in Alberta

A salesman and a retired teacher bought an old apartment building in Edmonton and proceeded to apply for conversion permits for offices and other commercial usage. This process took many months and the permits were finally granted on a floor by floor basis. GHI was called upon to supply interim funding in order to carry the project through the renovations and government approval stage.

Homes in Western Canada

GHI has been instrumental in assisting a number of contractors requiring construction financing who wished to build new homes in growth potential areas. The reputation of the contractors was excellent, with demand for the homes being readily apparent. Short term construction loans were made on various properties until sold, permitting the contractors to assist in housing developments in areas where there were critical needs.

Flexibility is the Key

GHI's mortgage portfolio contains loans secured by apartment dwellings in Saskatchewan, nursing homes in British Columbia, condominiums and office buildings in Edmonton and Calgary, shopping centres and warehousing in Winnipeg and numerous other projects in varied locations. Each transaction has its own story which must be worked out in a constructive manner that benefits the borrower and permits a better than average return to you, the Unitholder.

